



# State Representative Cary Condotta



## 12th Legislative District

April 2006

### Rep. Cary Condotta

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Greetings to everyone in the 12th District.

This year's 59-day session was a whirlwind of activity with a record number of bills introduced in the House. We also found ourselves with a budget surplus of \$1.6 billion courtesy of a booming housing market, the fiscal responsibility shown in the 2003 session, and the unnecessary tax hikes imposed last year.

As such, a lot of time was spent this session debating how we should spend or save the excess revenue. It was my belief that the majority of the surplus should be placed in a secure reserve account to avoid the temptation to overspend, which would only create larger deficits in the future. I made the case that after taking care of our growing unfunded pension liability and other unanticipated program costs, the remainder of the surplus should be set aside for a "rainy day." I also supported rescinding last year's tax increases including the death tax. As you will see our input was not considered and the state spending spree continues unabated. Without spending limits (I-601) the growth of state government continues to outpace population and inflation.

In addition to the budget we had several policy issues to tackle this year such as, health care, unemployment insurance, business climate, beer and wine distribution, and regulatory reform. In this session review I cover some of the key policy "hits and misses" of the 2006 legislative session.

I represent you year-round, so please do not hesitate to call or e-mail my district office anytime during the interim. We will be moving to a new office about the time you receive this update. It is just one block east of our current location at 3031 G.S. Center Road. Your input is very important and has a direct effect on the many issues we are dealing with. Thank you for allowing me to serve as your state representative.

Rep. Cary Condotta



## 2006 Legislative Review

## LOCAL ECONOMIC DEVELOPMENT



### NEW ARENA IN WENATCHEE GETS GO-AHEAD

As a member of the House Finance Committee I introduced **House Bill 2447** to allow Wenatchee to finance a new multipurpose arena with existing tax dollars. While it seemed impossible to pass this bill in 60 days, it was well-received and moved through the process quickly.

This bill was a high priority since this project will anchor the entire waterfront project and allow for a more diverse economy in our area. This measure allows local governments to hold onto a portion of sales tax revenue that is currently going to the state. These funds will be bonded to pay for the arena.

The addition of a multipurpose arena to Wenatchee's new waterfront development will expand opportunities for groups that have, in the past, been too large for our current area facilities. We will also be able to host larger music and entertainment events. All of these activities will benefit our local services, hotels, restaurants and recreation areas.

### TAX RELIEF FOR ALUMINUM SMELTERS

In 2004, the Legislature enacted temporary tax relief to help the aluminum industry remain competitive in our state. These tax incentives included a lower business and occupation tax rate, state sales/use tax credits for property used at aluminum smelters, and indirect relief through public utility tax credits.

Having been a success in keeping the aluminum industry in our state, we asked for an extension on these tax incentives.

**House Bill 2348** extends these tax incentives to 2012 and will help maintain a viable aluminum industry and valuable family-wage jobs.

### LOCAL CATERER INSPIRES LAW CHANGE

As your representative, I am always interested in hearing about issues that impact your family, business or community. This year, a local restaurant owner with a catering license discovered he was not allowed to cater functions on the Lady of the Lake in the Chelan due to a Liquor Control Board (LCB) issue that limited his caterer's endorsement on his liquor license.

As the ranking member of the House Commerce and Labor Committee, I worked with the LCB and the restaurant owner/caterer to introduce and pass **House Bill 2897** this session. This bill will allow entities already possessing a liquor license to receive an endorsement to serve alcohol on a passenger vessel.

### PROMOTING AREA WINERIES & RESTAURANTS

Our area of the state is widely recognized as a tourist destination for those looking to visit fine wineries and enjoy fine dining. But until now, Washington's "tied house" law prohibited manufacturers and their trade associations from partnering with retailers to promote their businesses and products through joint advertising, such

as brochures. Thanks to constituents' feedback, I introduced **House Bill 3150** to update those laws.

The bill passed unanimously and was signed into law on March 17. As of June 7, 2006, all domestic wineries and retail licensees in Washington may jointly produce brochures and material promoting tourism.

In 2003 the State Parks and Recreation Commission instituted a \$5 day-use fee for state parks to make up for cuts in their budget. While not a legislative action, many lawmakers felt this fee was inappropriate and substantially reduced park attendance.

As part of House Republicans' "Commitment to Washington" 11-point agenda, it was our goal was to eliminate the \$5 day-use fee in state parks and welcome our state's families back to our public parks.

House Republicans worked with Democrat leaders to introduce legislation to repeal the fee. **House Bill 2416** was passed with broad support. Once again, the welcome mat is out for everyone to enjoy our state's parks.



**Rep. Cary Condotta in the House Finance Committee hears testimony on Wenatchee arena legislation.**

## STATE PARK FEE ELIMINATED

## BUDGET



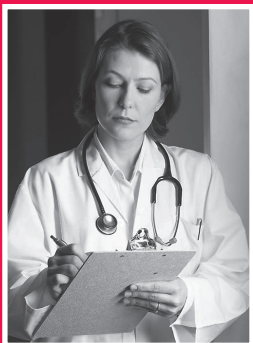
In an encore performance of the spending race of 2005, the 2006 supplemental budget was less of a compromise of competing interests and more like a *compilation* of every interest seeking funding. Armed with a \$1.6 billion surplus, the majority party's temptation to spend it overrode the obvious need to save it for a rainy day. And they did. This year's budget is \$4 *billion* beyond the final 2003-05 budget.

A supplemental budget should make adjustments that *couldn't be anticipated* (i.e. higher school enrollments, fire suppression) and address prior commitments such as catching up on state pension payments which were delayed in the name of spending. Other major spending initiatives and program additions should be left for the regular budget year. However, this year's spending went far beyond the scope of a supplemental budget.

The record \$1.3 billion budget **increased state spending by a record 17.7 percent** over the 2004 supplemental budget. At least \$468 million in this budget is tied to *new or expanded programs*, far more spending than is necessary to make adjustments for unanticipated costs and urgent needs. And the majority committed to spending over \$825 million more of taxpayer money by funneling it into separate, unprotected checking accounts rather than leaving it in a true reserve.

This irresponsible spending sets up a budget shortfall of \$600 million next biennium even if revenue growth stays steady at nearly 10 percent (unlikely given rising rates and slowing housing markets). There is little question that a tax increase of major proportions will be necessary to sustain the ever increasing size of our state government in the future. It seems tax and spend budgeting is here to stay. The best hope for Washington's future economy is a Legislature that reinstates the priorities of government budget process and commits to controlling growth and costs.

## HEALTH CARE



### HEALTH SAVINGS ACCOUNTS (HSA) BILL SIGNED INTO LAW

The Legislature has spent a lot of time over the past few years discussing the rising cost of health care and how new and innovative options can make sure every family has health coverage that meets their needs and is affordable. That's why last year I sponsored **House Bill 1383**, which allows public employees access to health savings accounts (HSA).

Health savings accounts will allow flexibility and choice as well as promote ownership of a very valuable health care plan. And, my bill was the only proposal to pass this year that will actually reduce health care costs for the state and begin to move us into a consumer-based system that creates a more accessible insurance market.

### SMALL BUSINESS HEALTH CARE BILL GUTTED

It's no secret that more and more small businesses are dropping health insurance coverage because of the incredibly expensive, mandate-laden plans we have in our state. This year the Legislature had the best opportunity in years to begin to improve the state's health insurance market, reduce cost, and allow small businesses greater access to health plans. In the biggest failure of the session all of it was overturned.

**House Bill 2572**, as it passed the House this year, was being touted by the majority party as *the* small business health insurance solution. To the contrary, it simply adds more slots for small-business owners and employees in the state-run Basic Health Plan. In essence, this bill offers one solution to our state's health care crisis - more government interference.

However, a bipartisan effort in the Senate lead to key amendments to the bill that would have allowed for more choices in health care plans, tax credits for employers who purchase health care and offer greater access to health savings accounts. All of these are good things that small businesses desperately need to jump start some competition in our health care market to drive costs down.

The Senate version of HB 2572 passed 42-5. Unfortunately, the House gutted key improvements to the bill and with that action, took away any hope of reducing the cost or improving the market for health insurance this year.

This bill was one piece of a complex puzzle in Washington's health insurance market. If the House majority was serious about offering more affordable and accessible health insurance, they would have taken this opportunity to step out of their big-government box and offer the Senate's creative and practical solutions to the free market.

## COMMERCE & LABOR



### UNEMPLOYMENT INSURANCE DIVIDE BRIDGED

As the ranking Republican on the House Commerce and Labor Committee, tackling the debate over Washington's expensive Unemployment Insurance (UI) system was at the top of my agenda this session. After the 2003 landmark reforms to bring our state's UI costs under control were repealed last year, lawmakers were asked to roll up our sleeves and patch together a workable solution that would curb rising UI costs and keep the system fair and solvent.

To that end, key stakeholders and I spent a great deal of time on the Unemployment Insurance Task Force working to find a middle ground between the very expensive system prior to the 2003 reforms and seasonable benefit issues under the new system passed last year. With only 59 days to reach an agreement, on behalf of the House Republicans, I went to work as the key negotiator for the caucus.

What came out of the long and sometimes contentious negotiations was **Senate Bill 6885**. This bipartisan bill creates a steady rate structure allowing for less subsidizing between rate classes and, most importantly, it will stabilize rates for our state's businesses while improving seasonal benefits.

### BEER & WINE DISTRIBUTION

Last year, retail giant *Costco* filed a lawsuit against the state of Washington claiming the state's beer and wine distribution laws were unconstitutional. While the court could have weighed in, it stayed the decision on the matter until the Legislature had a chance to review the laws. As the ranking member of the House Commerce and Labor Committee, I worked to help pass these bills to help our wineries and breweries:

**Direct shipment to consumers: House Bill 2561** and **Senate Bill 6537** are companion bills introduced this year to repeal Washington's out-dated reciprocity law. Under these measures both domestic (in-state) and out-of-state wineries may ship wine to Washington residents who are 21 or older for personal use and not for resale. With the passage of SB 6537 both in-state and out-of-state wineries are now treated equally with respect to direct shipment to consumers.

**Direct shipment to retailers: House Bill 3213** and **Senate Bill 6823** were introduced to begin to solve the issues raised by Costco. Senate Bill 6823, allows both in-state **or** out-of-state wineries and breweries to act as distributors of its product. Out-of-state producers may now distribute their product directly to the retailer, use a distributor or a retailer may hire a common carrier to pick up the product from the producer and deliver it to the retailer.

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